

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 SAL-01 OMB-01 INT-08 IGA-02 NSC-10

SS-14 STR-08 CEA-02 PA-03 PRS-01 USIA-12 AGR-20 RSR-01

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R 290914 Z MAR 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2698

INFO AMEMBASSY RANGOON

C O N F I D E N T I A L TOKYO 3743

E. O. 11652: GDS

TAGS: EAID JA BM

SUBJ: GOJ AID TO BURMA

REF (A) RANGOON 748; (B) RANGOON 617; (C) RANGOON 569

SUMMARY: BY EXTENDING AID TO BURMA, GOJ HOPES TO INFLUENCE GUB INTO MORE QTE OPENNESS UNQTE WITH THE NON- COMMUNIST WORLD THROUGH MORE ASSOCIATION WITH SEA NATIONS AND INTERNATIONAL FINANCIAL INSTITUTIONS. POSSIBLE OIL FIND ALSO PROBABLE FACTOR, DESPITE DISMAL ECONOMIC PERFORMANCE, GUB PROBABLY WILL RECEIVE \$30 MILLION COMMODITY LOAN ALTHOUGH RESISTANCE OF GOJ' S MINFINANCE MAY SLOW DOWN HANDLING. FONOFF WOULD NOT BE SURPRISED IF SECOND GUB REQUEST FOR COMMODITY LOAN RECEIVED BEFORE END OF YEAR IN LIGHT GROWING FOREX SHORTAGE. END SUMMARY.

1. EMBOFF DISCUSSED VISIT (APRIL 9-19) OF PLANNING AND FINANCE MINISTER U WIN TO TOKYO WITH YATABE, HEAD, FIRST ECONOMIC COOPERATION DIVISION (LOANS), ECONOMIC COOPERATION BUREAU, AND WITH HIRAOKA, HEAD, SECOND SEA DIVISION, ASIAN AFFAIRS BUREAU, FONOFF. YATABE CONFIRMED
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THAT PURPOSE OF LWIN TRIP WAS TO REQUEST TWO LOANS:
YEN 7.7 BILLION (ABOUT \$30 MILLION AT CURRENT EXCHANGE
RATE) FOR COMMODITY AID AND YEN 7.0 BILLION (ABOUT \$27
MILLION) TO FINANCE OIL REFINERY AT SYRIAM (RANGOON 272).
PURPOSE OF COMMODITY LOAN APPARENTLY TO TIDE GUB OVER
IMMINENT FOREX CRUNCH.

2. YATABE SAID THAT GOJ FACING UNUSUAL
SITUATION IN BURMA. UNLIKE ITS AID RELATIONS WITH OTHER
COUNTRIES, GOJ AID TO BURMA BILATERAL IN NATURE AND NOT
EXTENDED WITHIN A MULTILATERAL CONTEXT SUCH AS A CONSUL-
TATIVE GROUP. GOJ HAD BECOME BY FAR BURMA' S GREATEST AID
CREDITOR OF NON- COMMUNIST COUNTRIES. ON BASIS OECD
DEVELOPMENT ASSISTANCE COMMITTEE STATISTICS, GOJ AID IN
1971 COMPRISED SEVENTY PERCENT OF NON- COMMUNIST AID DIS-
BURSEMENTS AND SEVENTH- THREE PERCENT OF COMMITMENTS.

3. YATABE POINTED OUT THAT COINCIDENT WITH THE RISE OF JAPANESE
ASSISTANCE TO BURMA, THAT COUNTRY' S ECONOMY CONTINUED TO DETERIORATE.
WHILE GOJ HAS HAD DIFFICULTY IN OBTAINING ECONOMIC
STATISTICS DUE TO CHARACTERISTIC BURMESE SECRECY,
HIGHLIGHTS OF SITUATION ARE AS FOLLOWS. GUB FOREX
RESERVES ON NOVEMBER 30, 1972, AMOUNTED TO \$34.4 MILLION
AND ON JANUARY 31, 1973 TO \$28.3 MILLION. NO RICE
EXPORTS, GUB' S MOST IMPORTANT EXPORT, ANTICIPATED
BEFORE APRIL AND FOREX EFFECTS WILL NOT SHOW UP
UNTIL AUGUST OR SEPTEMBER. RICE EXPORTS FOR CY 1973 ARE
ESTIMATED AT 200,000 TONS AS COMPARED TO LAST YEAR' S
600 ,000 TONS, BUT AVERAGE PRICE WILL PROBABLY RISE FROM
FORTY POUNDS STERLING TO SIXTY POUNDS STERLING PER TON.
THEREFORE, RECEIPTS FROM RICE EXPORTS IN CY 1973 CAL-
CULATED AT \$29.2 MILLION (KYATS 140 MILLION). TOTAL VALUE
EXPORTS IN 1973 ESTIMATED AT \$109 MILLION (KYATS 523
MILLION DOWN FROM KYATS 602 MILLION LAST YEAR). GUB
DEBT, NOT INCLUDING SHORT- TERM DEBT, AT \$37.5 MILLION
(KYATS 180 MILLION). (GOJ INQUIRED IF GUB WOULD BE SEEKING
DEBT RELIEF AND RECEIVED NEGATIVE REPLY.)

4. EMBOFF INQUIRED WHAT GOJ INTENDED TO DO IN LIGHT
ITS POSITION AS THE MAJOR AID DONOR TO BURMA AND THE
CONTINUING DETERIORATION OF THE BURMESE ECONOMY. HE FELT
THAT GOJ FACED CLASSIC SITUATION WITH POLITICAL
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OVERTONES EITHER OF PUTTING PRESSURE ON BURMESE TO REFORM

ECONOMIC POLICY OR OF CONTINUING TO EXTEND AID WITHOUT QUESTION IN HOPE THAT SOMEHOW THE BURMESE WOULD MUDDLE THROUGH. YATABE RUEFULLY ACKNOWLEDGED POINT. HE ADDED THAT JAPANESE AID WAS PART OF A CAUTIOUS POLICY TO INFLUENCE BURMESE INTO MORE QTE OPENNESS UNQTE WITH THE NON- COMMUNIST WORLD. MORE SPECIFICALLY, GOJ HOPED TO EDGE GUB INTO CLOSER ASSOCIATION WITH OTHER SOUTH-EAST ASIAN STATES AND INTERNATIONAL FINANCIAL BODIES SUCH AS IBRD AND ADB. FOR EXAMPLE, GOJ HAD EXPLAINED TO BURMESE ADVANTAGES OF IBRD- BACKED CONSULTATIVE GROUPS AND CONSORTIUMS. ALSO HAD SUGGESTED THAT BURMESE MIGHT JOIN JAPANESE - BACKED MINISTERIAL CONFERENCE ON ECONOMIC DEVELOPMENT OF SEA. HE NOTED IN THIS RESPECT THAT BURMESE HAD SENT OBSERVER TO MEETING OF OFF- SHOOT OF THAT GROUP, THE SEA MEDICAL AND HEALTH ORGANIZATION, NOW MEETING IN TOKYO. IN RESPONSE QUERY, HE SAID THAT GOJ HAD NOT MADE ANY REFERENCE TO BURMESE ASSOCIATION WITH ASEAN, BELIEVING THAT IT IS A MATTER FOR SEA NATIONS TO HANDLE.

5. YATABE ALSO COMMENTED THAT HE WOULD NOT BE SURPRISED IF GUB RETURNED WITH SECOND REQUEST FOR COMMODITY LOAN BY END OF YEAR.

6. COMMENT: YATABE'S AND HIRAOKA'S REMARKS INDICATE THAT GOJ WILL CONTINUE TO BE FAVORABLY DISPOSED TOWARD BUILDING GUB'S LINKS WITH OUTSIDE WORLD THROUGH AID AND GENTLE SUGGESTION DESPITE DISMAL PERFORMANCE OF ECONOMY. GUB WILL PROBABLY FIND THAT ITS MOST RECENT REQUEST FOR A COMMODITY LOAN MAY BE RATHER SLOWLY HANDLED BY GOJ, DESPITE FAVORABLE DECISION, SINCE FONOFF ANTICIPATES MINFINANCE WILL TAKE HARD LOOK AT BLEAK ECONOMIC SITUATION. ONE FACTOR WHICH COULD CHANGE GOJ ATTITUDE IS POSSIBILITY THAT GUB SUCCESS IN OIL EXPLORATION MAY LEAD TO SUDDEN CHANGE IN GUB'S ECONOMIC FORTUNES AND ANOTHER SOURCE OIL FOR JAPAN. INGERSOLL

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